



Memorandum

To: City Council

From: Mayor Chuck Reed
Councilmember Pete Constant
Councilmember Madison Nguyen
Councilmember Rose Herrera
Councilmember Ash Kalra

Subject: Convention Center Expansion

Date: February 18, 2010

Approved:

Chuck Reed
Madison Nguyen
Ash Kalra
Pete Constant
Rose Herrera
D.V.

2/19/10

Recommendation

Accept staff's report on the feasibility of the expansion and renovation of the Convention Center with the following recommendations:

1. Move forward with a design-build solicitation to expand and renovate the Convention Center as expeditiously as possible;
2. Direct the City Manager and Redevelopment Agency Executive Director to recommend a team that will manage the expansion and renovation of the Convention Center, utilizing the expertise of staff that is managing the Airport design-build project;
3. Based on the design-build process and recommended proposal, return to the City Council with the documents necessary to move forward with a financing plan.
4. In the event that the design-build process results in a funding gap, complete an analysis on utilizing Fund 536 and other non-general fund sources to fill the potential gap and return to the City Council with funding options.

Background

The Study Session on the Economic Strategy Update last week proved that moving forward with initiatives and capital projects that stimulate our local economy and create jobs are critical. Thousands of residents are out of work today. We need to reverse this trend. It is incumbent upon the City to invest in projects and programs that will increase tax revenue and add jobs.

We also spoke last week about the need to move at the speed of business. The City needs to move quickly to keep and grow convention business. This week Team San Jose informed us of another lost business opportunity. A technology company headquartered in downtown San José, which has been a long term client of the Convention Center has decided to move one of their biggest conventions to another destination due to the lack of size of the Convention Center. Team San José estimates that the loss of this convention equates to a \$1 million revenue loss to the Convention Center's bottom line, not to mention the missed hotel tax revenue.

One way to move at the speed of business is to utilize the design-build option. The Airport project is a success story and a perfect example of the way design-build should work. With significant savings found so far, the Airport project has had an opportunity to add additional features and amenities that enhance the project. The Convention Center Expansion project should follow the same model.

Our recommendations above seek to allow us to leverage the current competitive construction climate. Waiting or delaying the design-build process is not prudent. The project will immediately create local construction jobs, on-going convention service jobs, and increased hotel jobs. The economic impact from construction of the project will be quite significant, benefiting the City's General Fund and the local economy.